

**Edwards,Michelle**

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**From:** Rick Shagley [rshagley@wslfirm.com]  
**Sent:** Tuesday, April 26, 2016 10:09 AM  
**To:** Edwards,Michelle  
**Subject:** Annex 41, LLC Tax Abatement Request--Resolution No. 3, 2016  
**Attachments:** CC letter\_001.pdf

**FILED**

APR 26 2016

**CITY CLERK**

Please find letter to the City Council attached.

Thank you,

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April 26, 2016

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**RE: Annex 41, LLC Tax Abatement Request --Resolution No. 3, 2016**

Dear City Councilpersons:

I was recently forwarded an email from Craig Ketner of Ketner & Sons Electric, Inc. in regard to Annex 41, LLC Tax Abatement Request, and would have responded to his statements as follows:

1) This is a private out of town for profit investment firm meaning that the future profits from this project will NOT be staying in Terre Haute.

It is true that Annex 41, LLC is a private company with its principal office in Indianapolis, Indiana, who is willing to invest \$25 Million in a student residential facility in Terre Haute, Indiana. Should we, as a City, deny investment opportunities in our City from those companies whose principal offices do not reside here, such as SONY DADC, Bemis and many other commercial and industrial entities? The City has also granted tax abatement to motels in which the owners are from Indianapolis.

Annex 41, LLC has developed projects in five other communities that have recognized the value of the project, thus providing Annex 41, LLC with economic incentives.

Annex 41, LLC's corporate mission and strategy is to become part of the community and its involvement will include, but not be limited to:

1. Working with Indiana State University to create a pedestrian overpass on Third Street for the community;
2. Participating with Art Spaces and Art Works to develop its *Turn to the River* Program; and
3. Joining and supporting local organizations and charities.

2) The annual payroll for 3 - 5 full time jobs will be somewhere between \$150,000.00 to \$200,000.00 well below any reasonable threshold for such an

abatement request. These are not manufacturing jobs, odds are there will be little to no fringe benefits paid to these employees.

**The City has adopted guidelines for the considerations relative to the granting of tax abatements. The guidelines do not consider "manufacturing" jobs, but economic benefits as a whole that would flow from this project. There are certain fringe benefits to be paid to all full time employees, including pension. Under the City's guidelines, this project would qualify for a nine-year tax abatement.**

3) This development will be utilizing city services that are funded by property taxes, meaning they are asking for a discount on these type of services.

**The student housing facility would be utilizing City services, as do all property owners in the community. However, there will be tax support for the Vigo County School Corporation without any burden for the Vigo County School Corporation. Annex 41, LLC will be paying its fair share of taxes that will result from this project where no property taxes are presently being generated.**

4) There are NO guarantees that the construction of said project will be built by local contractors and/or by local labor meaning that there is no promise that there will be any benefit to the local economy for the construction of this development.

**Annex 41, LLC has requested and received a list of local contractors and assumes these contractors will submit bids. The nature and extent of participation by local contractors would depend on the bids by the local contractors. However, the local contractors have an understanding of the local labor market and the local materialmen; and, therefore, should have an advantage in the bidding process.**

5) The numbers that will be presented from their impact study would suggest that there would be an increase in dollars coming into the community via ISU students being housed in this proposed project, this is just not true, the students are ALREADY here and spending those dollars.

**Annex 41, LLC, as part of its due diligence, employed Applied Economics of Phoenix, Arizona to prepare an Economic Impacts statement, which was delivered in January of 2016. A copy of the Impact Summary is attached as Exhibit "A". As you will note, most of the significant economic benefits resulting from this project are not related to Indiana State University students, but to the project itself. However, this project will provide high-quality student option, which is not currently available in this community; and will provide an additional incentive for Indiana State University students to be housed in the Downtown area of the City of Terre Haute, and close to its merchants in the area.**

6) There are MANY local investors that have already invested into this community with student housing representing well over 10 times the number of beds proposed with this project and they have been funded solely by the local owners/investors who have NOT received any property tax abatements for their

projects. Awarding an abatement for this project would send a clear and negative message to these local owners/investors.

As you may be aware, different forms of incentives have been given to other properties in the Downtown area and this is just another form of incentive, and possibly the only incentive available for the Terre Haute Boys and Girls Club, Inc. property.

The Terre Haute Department of Redevelopment administered a Downtown Housing Development Loan Program to enhance residential development in the Downtown area. Thirty-two buildings with sixty residential units received \$1,090,517.00. Many owners received \$25,000.00 per unit.

The Terre Haute Department of Redevelopment's Downtown Face Program also provided \$573,416.00 to thirty-two buildings, some of which also received funds under the Downtown Housing Development Loan Program.

Downtown has a TIFT District, which has utilized hundreds of thousands of dollars of tax proceeds for facade grants, alley paving, road repairs, drainage, sidewalks, benches, street lights and other improvements.

The new student residential projects have utilized these TIFT funds, but have also received consideration as follows:

1. In December 2014, a Petition was filed for Property Tax Abatement consideration for the Deming Renaissance at 21 N. 6<sup>th</sup> Street, Terre Haute, Indiana. The City Council then adopted and confirmed Resolution No. 36, 2014, approving a nine-year tax abatement for the project, which was presented by Councilperson Todd Nation. Although this form of tax abatement was not utilized by this project, it also received a facade grant from the City of Terre Haute in the amount of \$94,000.00.
2. Ellis Place was recently developed with the assistance and cooperation of Indiana State University to provide student residential units in Downtown Terre Haute.

The Terre Haute Boys and Girls Club, Inc. property is not located within the TIFT District nor has it requested any other financial incentives. Therefore, it does not receive the benefit of new sidewalks, curbs, street lights, drains, streets or other public improvements, which might assist in the development of the project.

7) There are no guarantees that this development won't be sold to ISU resulting in the property would then become exempt from property taxes.

This project has been built in consultation with and in coordination with the Master Plan of Indiana State University. As part of its Master Plan, Indiana State University is presently renovating its own residential facilities. Annex 41, LLC is a long-term residential developer and operator with no interest in selling its properties.

8) Your governing body just passed a necessary trash tax ordinance which burdens local residents who DO pay local property taxes, folks that live here, play here and most importantly spend here. Giving this abatement would send a resoundingly negative message to us all, especially with the financial difficulties our city is having.

**There is currently no property taxes generated from improvements on this real estate. At present, this real estate does not provide any tax revenues toward the payment of the City's financial deficits.**

**As you are aware, the Terre Haute Boys and Girls Club, Inc. property was on the market for some period of time and the only proposed buyer has been Annex 41, LLC. If this transaction fails to close, the property will remain tax exempt. Also, if another charitable or tax-exempt organization purchases this real estate, then this real estate may continued indefinitely as tax-exempt. There would be no opportunity in the future for this real estate and the improvements to be of assistance to the City of Terre Haute with tax revenues.**

9) The project costs that are being touted by Annex 41, these are costs that ANY investment project ANYWHERE would be faced with, I call it the cost of doing business. One must carefully look at the projected rental income numbers and questions if they are true and accurate, based on the local rental market and not deflated for this abatement request. This is an investment not so much for the City of Terre Haute, moreover an investment for a for-profit out of town investment firm, we as citizens of Terre Haute have absolutely no onus or obligation to give them (Annex 41) a financial leg up. If their project numbers based on this proposed location don't work out for them without said abatement wouldn't it be wise for them to find a different location so the numbers would work for them without our financial assistance?

**As we all are aware, Annex 41, LLC would a catalyst for the further development of Downtown Terre Haute and West side of US 41. This project is a major investment in an area that was formerly a manufacturing and industrial area with its resulting issues. It is true that the City of Terre Haute has no obligation to assist anyone with the development of their property; however, the City of Terre Haute has grown as a result of the wise use of these economic incentives that were created by federal and state laws to assist in the development of local communities.**

10) I am in no way against the Boys & Girls Club selling their property. I hope they are able to sell it. Given this buildings geographic location it is a reasonable bet that Annex 41 has not been the only interested party in acquiring this parcel of real estate. I feel it is your duty as an elected official here in the City of Terre Haute to not grant any such request for an abatement for this particular property.

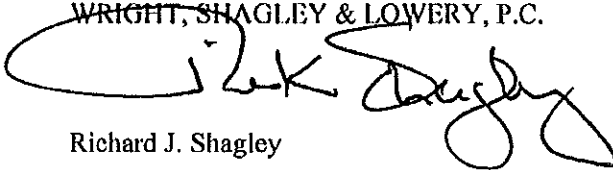
**The sale of this property is critical to the further development of the Terre Haute Boys and Girls Club, Inc., Inc. and its programs for the children in this community. As you are aware, Jeff Kochvar, Chief Financial Officer of the Terre Haute Terre Haute Boys and Girls Club, Inc. has appeared at all of the public hearings on the development of this project; and the Terre Haute Boys and Girls**

**Club, Inc.'s Board of Directors and many citizens in this community understand how important this project is, not only to the Terre Haute Boys and Girls Club, Inc., but also to the future development of Downtown Terre Haute and Indiana State University.**

**In conclusion, Annex 41, LLC, which has been working on the development of this project for over a year, has requested this tax abatement because it believes that it will serve as a good neighbor and a participant in this community. One example of this is the work that has been done with Art Spaces and Art Works so that this student housing facility is a well-designed facility, which will be a major asset to this community, not only for its economic benefit, but also the benefit to the cultural and civic life of our community. This tax abatement would be a step forward for all of the people of Terre Haute.**

Respectfully submitted,

WRIGHT, SHAGLEY & LOWERY, P.C.

A handwritten signature in black ink, appearing to read "Richard J. Shagley", written over a horizontal line.

Richard J. Shagley

RJS/ja

CC: Annex 41, LLC